

TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
Deborah Taylor Tate, Director
Pat Miller, Director
Ron Jones, Director



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T.R.A. DOCKET ROOM

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

May 21, 2003

Mr. Roy Ferrell
Tennessee-American Water Company
P. O. Box 1906
Charleston, WV 25327

Dear Mr. Ferrell:

In order to more properly review your petition, our Docket No. 03-00118, for rate relief more information is needed to complete our review.

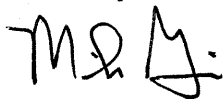
1. The Company's CWIP has been running between 1.5 and 3.5 million dollars monthly in prior years. Suddenly it drops to \$801,659 for your attrition year. Please explain why it has dropped so suddenly, so quickly. Explain in detail what makes up the \$2,334,303 adjustment and is the debit in the plant adjustment number?
2. The Company's balance in Customer Advances for Construction is \$2,007,438. Per your monthly reports, the balance in the last five years has never been below \$2,567,041. Please explain in detail why the sudden drop in Customer Advances.
3. Provide a schedule to support the (\$64,899) in RWIP shown in the Company's rate base (Valentine Exhibit 1, Schedule 2).
4. In the Company's work papers for labor costs is an amount of \$29,314.80 for employee severance costs. Also, in the same work papers \$79,545.30 is recorded for pay deferrals. Are these amounts included in the company's attrition year? If so, please explain why it is proper to include the amounts in the attrition year.
5. In the income statement \$276,470 is recorded in account number 685430 - Other Taxes and Licenses. Provide the amount that was actually paid for during the twelve month period ending July 31, 2002. If there is a difference between the amount paid and the amount accrued explain the difference.
6. Provide source documentation for the following depreciation rates - Acct. # 303.99 - 20%, Acct. # 330.43 - 1.80%, Acct. # 331.40 - 1.41%, Acct. # - 33144 - 1.36%, Acct. # 331.45 - 1.42%, and Acct. # 334.41 - .98% as shown on Valentine Exhibit 2, Schedule 4, page 2 of 2.

7. Provide number of customers by municipality and category, similar to that provided in revenues section of working papers (Book 1 of 2) for each month August 2002 through most current month available.
8. Provide a calculation of TAWC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, debt, equity capital and the debt and equity ratios for the years ending December 31, 1997, through December 31, 2000. Show long and short-term debt, preferred stock and common equity separately.
9. For each company in the Water group and in the Gas Distribution Group, provide same data requested in Item 8 for the years ending December 31, 1997, through December 31, 2002. Show long and short-term debt, preferred stock and common equity separately.
10. For TAWC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company, provide a calculation of the average composite interest cost for the long-term debt and short-term debt for the years 1997 through 2000.
11. For each company in the Water group and in the Gas Distribution Group, provide a calculation of the average composite interest cost for the long-term debt and short-term debt for the years ending December 31, 1997, through December 31, 2002.
12. Provide a schedule identifying the following for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, for the period since the last rate case through December 2000 and adjust for any stock splits:
 - a. Primary earnings per share
 - b. Fully diluted earnings per share
 - c. Dividends per share
 - d. Book value per share
 - e. High market price for each year
 - f. Low market price for each year
 - g. Average market price for each year
13. Provide the same information requested in Item 12 above for all water companies included in the "Water Group" and for all gas companies included in the "Gas Distribution Group" for the period from 1997 to 2002.
14. Provide for all water companies included in the "Water Group" and for all gas companies included in the "Gas Distribution Group" a computer file showing items below for each of the last fifteen (15) calendar years:
 - a. Rate of return to average common equity
 - b. Common stock earnings retention ratio
15. As provided for the Water group and the Gas Distribution Group in Exhibit PRM-2, on Pages 5 and 7 of 31, please provide the same data for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, for the period since the last rate case through December 2002.

16. The rate of return on book common equity provided by the company in Exhibit PRM-2, Page 2 of 31 shows that TAWC achieved a rate of return of 3.0% in 1999 and 8.8% in 2001. These rates are substantially lower than the average of 10.5% over the period of 1997 to 2001. Explain in detail the circumstances supporting the drop in rate of return on book common equity for 1999 and 2001. In addition, explain why such drop is not visible in the rate of return – average common equity provided in your response to TRA Data Request Item 55.

Please provide the answers to us by May 28, 2003. If you have any questions, please do not hesitate to call Aster Adams or me at 615-741-2904, ext 150 or 220, respectively.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Gaines", with a stylized flourish at the end.

Mike Gaines
Chief
Energy and Water Division

DMc03-16TnAmWater